



Serving the People of California

# CALIFORNIA EMPLOYER

Second Quarter 1997

## New form for tax and wage adjustments under the annual reconciliation process

Beginning July 1, 1997, a new *Tax and Wage Adjustments Form* (DE 678) and *Instruction Sheet* (DE 678-I) will be available for employers to correct tax and wage information previously reported to the Employment Development Department (EDD), or to request a refund under the annual reconciliation process.



The current interim process for adjusting employment taxes or wages (as described on page 49 of the 1997 *California Employer's Guide*) was established to meet your needs until the DE 678 was available. Please note that you can use either the DE 678 form or the interim process to adjust your account through the end of this year.

If you are a voluntary plan employer, Disability Insurance Elective Coverage employer, School Employees Fund employer, or a household employer who files quarterly, you should continue to use the *Quarterly Adjustment Form* (DE 938) to correct tax and wage information previously reported to EDD, or to request a refund.

For more information, or to obtain the new form and instruction sheet, please contact your nearest Employment Tax Customer Service Office.

After July 1, 1997, the DE 678 also will be available on the Internet (EDD's address is <http://www.edd.cahwnet.gov>) or from the EDD Forms Warehouse by calling (916) 322-2835.

## Household employers will soon have the option of filing reports by telephone

Are you a household employer? Beginning July 1, 1997, you will have the option of filing wage reports (DE 3BHW and DE 6) with EDD by telephone, instead of reporting by mail.



This new service, called "Fone-File," is a semi-automated process that uses live operators to receive wage information.

All household employers were mailed election notices in April 1997. You can use Fone-File to report wage information for the second quarter of 1997.

Fone-File reporting will be fully automated in March 1998, and you will be able to transmit wage reports by using

your touch-tone telephone. At that time, Fone-File will be available to all California employers. For more information about Fone-File, please contact EDD's Status Unit at (916) 654-7041, or your nearest Employment Tax Customer Service Office.

## Annual interest rate stays at 9 percent

The annual interest rate for the period July 1 through December 31, 1997, for delinquent contributions and taxes will be nine percent (.09), compounded daily. The daily interest factor will be .000247. If you have any questions regarding this rate, please contact your nearest Employment Tax Customer Service Office.

## Service centers offer taxpayers one-stop help

In partnership with two other state tax agencies, EDD has opened two Taxpayer Service Centers to provide convenient "one-stop" service for California taxpayers.

The Service Centers are staffed with representatives from the Franchise Tax Board, the Board of Equalization, and EDD who will personally assist you with tax information and forms.

These new Taxpayer Service Centers are located in:

- **Bakersfield**, at 1800 - 30th Street, Suite 390; and
- **Ventura**, at 4820 McGrath Street, Suite 250.

Look for additional Taxpayer Service Centers to open in the near future.

## IN THIS ISSUE

- 2 .... **New worksheet to help you determine worker status**
- 2 .... **Transition to UI claim filing by telephone continues**
- 2 .... **Employer's Guide corrections**
- 2 .... **Garment industry assistance**
- 3 .... **Magnetic media reporting tips**
- 3 .... **Health insurance plan for small employers**
- 3 .... **Quarterly Wage Report revised**
- 3 .... **Suggestions for improving the Employer's Guide?**
- 4 .... **Which state has jurisdiction on employee services?**

## New worksheet to help you determine the employment status of your workers

Working in partnership with the Small Business Employer Advisory Council, EDD has developed a worksheet to help businesses determine if the workers they pay should be classified as employees or independent contractors. The *Employment Determination Guide* (DE 38) takes you step-by-step through the common law factors and statutory provisions of the California Unemployment Insurance Code. It is very important to classify your workers properly to avoid an unexpected employment tax liability.

If, after completing the DE 38, you are still unclear as to the proper determination of your workers, please contact your nearest Employment Tax Customer Service Office for assistance.

You may also request a ruling from EDD by submitting a *Determination of Employment Work Status* form (DE 1870) to:

EDD, Audit Section - MIC 94  
P.O. Box 826880  
Sacramento, CA 94280-0001

## Transition to UI claim filing by telephone continues in EDD field offices

As reported in the first quarter 1997 *California Employer*, the conversion from filing Unemployment Insurance (UI) claims in-person to filing by telephone is underway statewide.

Before expanding the service statewide, EDD tested Telephone Claim Filing for two years. This new method of service delivery is part of EDD's Strategic Plan to make its services more accessible to the public, while reducing administrative costs.

Prior to beginning Telephone Claim Filing in each area, EDD will notify major local employers, labor and

community-based organizations, and other agencies to inform them of the impending service delivery change.



UI recipient registration for work with the local EDD field office will continue, whether UI claims are filed in-person or by telephone.

Please continue to place your job orders with EDD by calling the number listed in the State Government section of your local telephone directory under "Employment Development Department, Job Service." You also may access information on Job Service locations on the Internet at <http://www.edd.cahwnet.gov/jsloc.htm>.

## Program assists new garment industry businesses

The start-up process for new garment industry businesses within the city of Los Angeles has been made easier thanks to a new multi-agency, pilot program that provides businesses with assistance and "one-stop" registration.

With the help of an electronic system for sharing new business information, the goal of the Universal Business Registry Program is to reduce the registration burden and confusion for new garment businesses operating within the city of Los Angeles. The program also helps promote a level

playing field for existing garment industry businesses by encouraging compliance by these new businesses.

The participating agencies are the Department of Industrial Relations, the City of Los Angeles, the County of Los Angeles, and EDD.

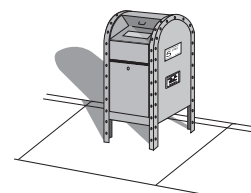
If you would like more information on this program, please call the Downey Employment Tax Customer Service Office at (310) 904-2818, or access <http://www.edd.cahwnet.gov/taxubr.htm> on the Internet.

## Important corrections for *Employer's Guide*

Please note the following corrections in your copy of the 1997 *California Employer's Guide* (DE 44):

- **On page 7:** The listing for the State Disability Office in Culver City should be deleted.
- **On page 22:** Under "Additional Information," the *Employment Determination Guide*, or DE 38, is incorrectly referred to as the DE 34.
- **On page 101:** The column for "10 or more withholding allowances" was inadvertently omitted. You can find the complete Personal Income Tax withholding table on EDD's Internet site at <http://www.edd.cahwnet.gov>, or by contacting your nearest Employment Tax Customer Service Office.

## Change of business address?



Has your business address changed? Or would you like to designate an agent, payroll service, etc., to receive all of your official EDD mail?

If so, you should complete a *Change of Address or Business/Final Report* form (DE 24). You can find this form inside the *Payroll Tax Deposit* coupon booklet (DE 88), as well as on EDD's Internet home page at <http://www.edd.cahwnet.gov>.

(Note: please do not make changes on the *Quarterly Wage and Withholding Report*, DE 6, because this will delay the processing of the report.)

If you have any questions regarding name and/or address changes, please contact your nearest Employment Tax Customer Service Office, or call the Tax Status and Examination Group, Status Unit, at (916) 654-7041.

## Follow these steps for quick processing of magnetic media

If you report to EDD via magnetic media, there are some easy steps to follow to ensure that your data is processed quickly and accurately:

1. Include an external label on each tape reel, cartridge, or diskette.
2. Complete a *Magnetic Media Transmittal Sheet* (DE 166), and include all of the following:
  - Your employer account number
  - Total number of employees reported
  - Total quarterly wages reported
3. Verify that the information on the DE 166 agrees with the data provided on the magnetic media.

4. Enclose your magnetic media in a protective box or mailer.
5. Mail it to:
 

EDD, Magnetic Media  
Production Unit, MIC 15  
P.O. Box 826204  
Sacramento, CA 94230-6204

If your magnetic media is returned to you for correction, please resubmit corrected magnetic media or hard copy information—along with a copy of the *Demand for Corrected Magnetic Media* or *Hard Copy Detail* letter—within 15 days to avoid penalties.



The *Quarterly Wage Reporting Program Booklet* provides additional information on magnetic media. If you need a copy of the booklet or transmittal forms, or if you have questions regarding magnetic media, please call (916) 654-6845, or write to:

EDD, Magnetic Media  
Coordinator, MIC 15  
P.O. Box 826880  
Sacramento, CA 94280-0001

## New rates for the HIPC are good news for small businesses

The Health Insurance Plan of California (HIPC), the nation's first and most successful health insurance purchasing pool for small employers, continues to make choices available to small businesses that only the biggest corporations used to offer.

Created by Governor Pete Wilson in 1992, the state-sponsored HIPC has enrolled more than 7,000 small businesses and covers more than 126,000 members.

The prices available today through the HIPC are lower than those charged in

1993, and well below the projected rise in nationwide and statewide health insurance prices.

The plan offers a comprehensive benefit package, and each employee has the option of choosing from an impressive array of Health Maintenance Organizations, Exclusive Provider Organizations, Point of Service Plans, and Preferred Provider Organizations.

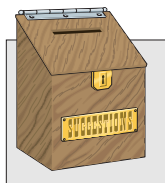
The HIPC has a simplified enrollment process with one uniform application for all of the participating health plans.

Regardless of how many different health plans your employees choose, you receive only one simple bill.

If you have a small business employing between 2 to 50 full-time employees, you are guaranteed insurance through the HIPC. For more information about the Health Insurance Plan of California, please contact your insurance agent/broker, or call 1-800-HIPC-YES (1-800-447-2937).

## We want your suggestions for improving the next *California Employer's Guide*

We are currently compiling the 1998 edition of the *California Employer's Guide* (DE 44). In our continuing effort to better meet your needs, we are again asking for your suggestions and comments to improve the guide.



We also welcome your suggestions for improving the *Tax Guide for California Employers of Household Workers* (DE 8829).

There are several ways to send us your comments on these publications:

- **Via mail to:** EDD  
Tax Support Division, MIC 93  
Attn.: Lyn Palmatier  
P.O. Box 826880  
Sacramento, CA 94280-0001
- **Via fax to:** Lyn Palmatier at (916) 654-6969.
- **Via the Internet to:** the "Tax Forum" on EDD's home page at <http://www.edd.cahwnet.gov> (this forum will be available beginning July 1997).

Please be sure to specify the name of the publication (DE 44 or DE 8829) to which your comments apply. If you have any questions, please contact Lyn Palmatier at (916) 654-6523.

### Quarterly Wage Report revised for 1997

The *Quarterly Wage Report* (DE 6) has been revised for 1997 to accommodate the new reporting requirements wherein employers must include an employee's or individual's full first name and Personal Income Tax wages.

You should not use the 1996 DE 6 form (Rev. 1) to file wages and withholdings after the quarter ended December 31, 1996.

You may obtain copies of the new DE 6 form (Rev. 2) from your local Employment Tax Customer Service Office. If you need large quantities of the form, please call the EDD Forms Warehouse at (916) 322-2835, or fax your order to (916) 327-9171.

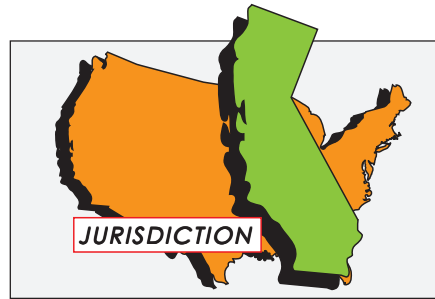
# Which state has jurisdiction on employee services in California?

When an employee performs services in more than one state, or in a state different from his/her state of residence, there are different rules that apply to state Personal Income Tax (PIT) withholding than for Unemployment Insurance (UI), Employment Training Tax (ETT), and Disability Insurance (DI). It can be confusing when trying to determine which state has jurisdiction for the employee.

## UI, ETT and DI

For purposes of UI, ETT, and DI, the following four tests, which are similar to the laws of other states enacted to apply the federal UI Program uniformly throughout the states, should be applied in descending order:

1. If most of the services are performed in California, with only incidental services performed elsewhere, the services of an employee are subject to California employment taxes.
2. If test #1 does not apply in any state, the employee's services are still considered subject to California jurisdiction if some services are performed here and the individual's



base of operation is here. ("Base of operation" is defined as a place of a more or less permanent nature from which the employee customarily starts work and returns within the terms of the same employment contract.)

3. If neither test #1 nor test #2 apply in any state, an employee's services are considered subject to California jurisdiction if some services are performed here and the place from which the employer exercises general direction and control over the employee's services is in California.
4. If none of the above three tests apply in any state, an employee's services are considered subject to California employment taxes if some services are performed here and the individual's residence is in California.

Proper reporting is important for you as employer. It will ensure that you are paying the appropriate UI and DI contributions, help you to avoid unnecessary penalty and interest charges, and will provide prompt payment of benefits to workers.

## PIT Withholding

Separate laws are applicable to California Personal Income Tax (PIT) withholding. Generally, an employee's wages are taxable if the individual works in California or is a California resident.

If a California resident's wages are subject to the withholding laws of both California and another state, the employer withholds the amount of California PIT that is greater than the amount required to be withheld by the other state.

For more information on the jurisdiction of employee services, please contact your nearest EDD Employment Tax Customer Service Office.

## Employment Tax Information

General Information or Requests for Tax Forms (25 copies or less)	Contact your nearest Employment Tax Customer Service Office	Offers in Compromise	(916) 464-0646 Fax: (916) 464-2077
Forms Requests (more than 25 copies)	(916) 322-2835 Fax: (916) 327-9171	Registration for an Employer State ID	(916) 654-7041 Fax: (916) 654-9211
Electronic Funds Transfer	(916) 654-9130 Fax: (916) 654-7441	Tax Rates and Benefit Charge Information	(916) 322-0507
Magnetic Media Reporting	(916) 654-6845 Fax: (916) 654-7441	Underground Economy Operations Center	(916) 464-1075 Extension 299 Fax: (916) 464-1020
Alternate Forms Coordinator	(916) 654-9814 Fax: (916) 657-4949	Employment Tax Problem Resolution Office	(916) 654-8957 Fax: (916) 654-6969
New Employee Registry	(916) 657-0529 Fax: (916) 653-5214	EDD on the Internet:	<a href="http://www.edd.cahwnet.gov">http://www.edd.cahwnet.gov</a>

## California Employer

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The EDD is an equal opportunity employer/program and is subject to Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To obtain information about accommodations for disabilities, contact your local EDD office, listed in your telephone directory under "State of California, Employment Development Department." TDD users can reach EDD through the California Relay Service at 1-800-735-2929.

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